

COMMITTEE WORKSHOP
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Preparation of the) Docket No. 04-IEP-1K
2005 IEPR)
)
Committee Hearing and)
Availability of the)
Committee Draft 2005)
Strategic Transmission)
Investment Plan (STIP))
)

CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
HEARING ROOM A
SACRAMENTO, CALIFORNIA

FRIDAY, SEPTEMBER 23, 2005

9:02 A.M.

Reported by:
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COMMISSIONERS PRESENT

John L. Geesman, Presiding Member

James D. Boyd, Associate Member

ADVISORS

Melissa Jones, Advisor

Michael Smith, Advisor

STAFF PRESENT

Judy Grau

Kevin Kennedy, IER Project Manager

ALSO PRESENT

Jim Avery, SDG&E

Ellen Allman, Caithness

Robert Kinosian, Office of Ratepayer Advocates

Jane Bergen, League of Women Voters

Les Guliasi, PG&E

Mark Skowrowski, Solargenix

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1 P R O C E E D I N G S

2 9:02 a.m.

3 PRESIDING MEMBER GEESMAN: This is our
4 54th public event for the 2005 Integrated Energy
5 Policy Report process. Today's hearing is gather
6 comments on the draft 2005 Strategic Transmission
7 Investment Plan.

8 I'm John Geesman, the Presiding Member
9 of the Energy Commission's IEPR Committee. To my
10 left, Commissioner Jim Boyd, the Associate Member.
11 To his left, Mike Smith, his staff advisor. To my
12 right, Melissa Jones, my staff advisor.

13 We haven't really done this before.
14 Today's session is really to see if anybody wants
15 to make verbal presentations on basically a book
16 report or a literary criticism. I want to
17 encourage comments, both on the specific text and
18 on the policy recommendations contained in the
19 draft document.

20 We also are eager to get written
21 comments, and I believe the deadline that we've
22 set for those is October 14. It is our intention
23 to bring a final committee report in front of the
24 full Commission at its November 16 business
25 meeting for consideration and hopefully adoption.

1 We will publish that final committee report some
2 time in advance of November 16. We haven't yet
3 set that publication date. I would invite both
4 your verbal comments today and any written
5 comments by October 14.

6 Commissioner Boyd?

7 COMMISSIONER BOYD: No comments, thank
8 you. I look forward to today.

9 PRESIDING MEMBER GEESMAN: Kevin.

10 MR. KENNEDY: Thank you, Commissioners.
11 My name is Kevin Kennedy, and I am the Staff
12 Program Manager for the Overall 2005 Integrated
13 Energy Policy Report Proceeding here at the Energy
14 Commission.

15 I want to welcome everyone here in the
16 audience, those listening on the phone and those
17 listening on the webcast as well. For folks
18 listening on the phone, I would point out that the
19 webcast does allow you to see the slides and
20 overheads that will be part of the presentations,
21 so you may want to take a look at that as you are
22 listening in as well.

23 There will be an opportunity at the end
24 for folks listening on the phone to make comments
25 as well. That will be set up.

1 For the folks here in the room, in case
2 any of you are not familiar with the set up here
3 at the Energy Commission, the rest rooms if you go
4 out of the hearing room are down to the left.
5 There is a snack shop upstairs. I would like to
6 warn people not to go outside the building through
7 the door near the rest room. There is a pretty
8 good chance at some point through the course of
9 this hearing, we will hear the alarm system go off
10 when someone does go through that without having
11 used a staff badge to get out the door. I just
12 wanted to do those few housekeeping things.

13 With that, the hearing today, as
14 Commissioner Geesman mentioned, is focused on the
15 2005 Strategic Transmission Investment Plan. This
16 is the Committee draft report that we are looking
17 at, at the moment.

18 The primary authors were James
19 Bartridge, Judy Grau, Mark Hesters, Don Kondoleon,
20 Clare Laufenberg Gallardo, James McCluskey, and
21 Robert Strand. They all worked very closely with
22 the Committee in pulling this plan together. I
23 think they did a very good job, and I want to
24 thank them and everyone who contributed to the
25 report.

1 The agenda for today is I am just going
2 to very briefly give a bit of context for the
3 Energy Report Proceeding. I will then turn it
4 over to Judy Grau who will provide a very brief
5 summary of the key findings and recommendations
6 from the Draft Strategic Plan.

7 As Commissioner Geesman mentioned, the
8 primary purpose today is to receive comments from
9 people here or listening in on the draft plan, and
10 the written comments are due on October 14.

11 Here is the call in number. We will put
12 it back up for folks who are listening on the
13 webcast. If you decide that you do want to make a
14 comment, you will be able to call in 888-790-1711.
15 The pass code is "hearing" and I am the call
16 leader, Kevin Kennedy. We will put this
17 information back up for folks on the webcast. You
18 will be able to see it as we get to the public
19 comment portion.

20 The schedule for the 2005 Energy Report
21 Proceeding from here, today we are having the
22 hearing on the Draft Strategic Transmission Plan.
23 Over the course of the next two weeks, we are
24 having a series of additional hearings on the
25 Integrated Energy Policy Report itself.

1 We have set these all. They will all be
2 here in Hearing Room A at the Energy Commission in
3 Sacramento. We have set them up by topic and
4 essentially by chapter.

5 The list is here. I would like to point
6 out that the hearing on the morning of October 7
7 will be dealing both with the electricity needs
8 and procurement policies chapter and also the
9 transmission chapter of the energy report.

10 The transmission chapter is very
11 consistent with the Draft Strategic Plan that we
12 are discussing today. We are giving people
13 opportunity to comment on the transmission chapter
14 at that hearing because the energy report just
15 came out one week ago. You may not have had time
16 to take a look at it.

17 I would like to encourage folks to the
18 extent that you have looked at that chapter and
19 want to say something about it now. This is all
20 going to be part of the same record, so feel free
21 to make comments on the energy report transmission
22 chapter as well.

23 Don't feel like you need to come back on
24 the 7th and repeat your comments, though certainly
25 additional comments will be welcome on the 7th.

1 In terms of the proceeding that this
2 report was developed part of, the Energy
3 Commission has been working in collaboration with
4 federal, state, and local agencies. We have held
5 53, as Commissioner Geesman mentioned, this is 54
6 and counting committee hearings and workshops
7 through the course of the proceeding over the last
8 year plus.

9 We have more than 25,000 pages of
10 docketed material on a wide variety of energy
11 topics. Overall, there have been more than 50
12 staffing consultant papers and reports.

13 At this point, we have two published
14 draft committee reports, the 2005 Energy Report
15 itself and the Strategic Transmission Investment
16 Plan which is the subject of today's hearing.

17 We will also be preparing a Draft
18 Committee Transmittal Report to the PUC, which
19 should be coming out fairly soon.

20 The rest of the schedule, October 14
21 written comments are due, both on the Transmission
22 Strategic Plan and on the Energy Report. In early
23 November, we will be publishing the final
24 committee reports looking at a November 16
25 adoption date going to the Energy Commission

1 business meeting that day to consider adoption of
2 all three plans. Then by early December, we
3 expect to deliver the reports to the governor and
4 the legislature.

5 With that, I would like to turn it over
6 to Judy Grau to talk about the specifics of what
7 is in the strategic plan.

8 MS. GRAU: Thank you, Kevin. I would
9 first like to thank the committee for their
10 guidance and their oversight. I want to repeat,
11 as Kevin said, the Commission staff who helped
12 prepare this strategic plan, especially Jim
13 Bartridge for his lead role on this. We also had
14 valuable contributions from Mark Hesters, Don
15 Kondoleon, Care Laufenberg Gallardo, Jim
16 McCluskey, and Bob Strand, and our editor Marilyn
17 Daven.

18 Just briefly, I want to mention the
19 legislation which directed the Energy Commission
20 to create this Strategic Transmission Plan and
21 then get right into the committee's key findings
22 and recommendations. I will conclude by
23 reiterating the energy report schedule. At that
24 point, the committee will open up the hearing for
25 public comments.

1 In September of 2004, the governor
2 signed Senate Bill 1565 which added Section 25324
3 to the Public Resources Code. It states that the
4 Energy Commission in consultation with the CPUC,
5 California Independent System Operator,
6 transmission owners, users and consumers shall
7 adopt a strategic plan for the state's electric
8 transmission grid and include it in the Integrated
9 Energy Policy Report.

10 The strategic plan shall identify and
11 recommend actions required to implement
12 investments needed to insure reliability, relieve
13 congestion, and meet future growth in load and
14 generation, including but not limited to renewable
15 resources, energy efficiency, and other demand
16 reduction measures.

17 I want to begin first with the key
18 findings related to specific transmission projects
19 and then broaden the scope to include the key
20 actions to facilitate the development of those
21 projects, and then broaden that further into the
22 other types of recommendations that affect the
23 planning, permitting, and operation of the
24 transmission system.

25 There are several criteria that the

1 committee believes should be applied to projects
2 being considered inclusion in this first strategic
3 plan. The first is that the project could be
4 online by the year 2010. This five-year time
5 horizon focuses us on the most well defined
6 projects that can be strategic assets in the near
7 term.

8 The second criterion is that the project
9 needs, but has not yet received siting approval,
10 so we are not considering projects that have
11 either recently been approved, basically that's
12 it.

13 The third is that it meets the PRC
14 Section 25324 guidelines of, as I mentioned,
15 insuring reliability, relieving congestion, and/or
16 meeting future load growth, including renewables.

17 The fourth is that the project is
18 consistent with past energy report
19 recommendations, to consider strategic benefits,
20 such as expanded access to regional markets,
21 insurance against major contingencies, mitigation
22 of market power, environmental benefits, and
23 achievement of state policy objectives.

24 Finally, the extent to which the project
25 conforms with Senate Bill 2431, legislative

1 findings to encourage the efficient use and
2 expansion of existing right-of-way were
3 technically and economically justified.

4 The starting point for the consideration
5 of the projects to apply these criteria to was the
6 July 2005 Commission Staff Report entitled
7 Upgrading California's Electric Transmission
8 System, Issues and Actions for 2005 and Beyond.

9 If you look in that report, Chapter 3
10 and appendix F provide information on 21
11 transmission projects, which have been proposed to
12 address one or more of what have been called the
13 three-legged stool attributes, again, of insuring
14 reliability, relieving congestion, and
15 interconnecting renewable generation needed to
16 meet the renewables portfolio standard.

17 This figure is also from the staff
18 report, just shows the first 17 of the 21 projects
19 I noted in the previous slide. These are ones
20 that have direct connection are within California,
21 and projects 18 and 19 are interstate projects
22 that are more conceptual in nature, those aren't
23 shown here. Projects 20 and 21 are out-of-state
24 projects, which we also didn't show.

25 What we did is we took the 21 projects

1 from the staff report and ran them through the
2 first two screening criteria of being on line by
3 the year 2010 and being still in need of some
4 siting approval.

5 This left the 7 projects shown here,
6 three in the San Diego Imperial Valley area, three
7 in the Southern California/Tehachapi area, and
8 then one in Northern California.

9 As a side note, Project No. 7, the San
10 Diego 500 kV project, that is the title we used in
11 the 2005 Staff Report, the July report. It has
12 since been formally named the Sunrise Powerlink
13 Project. We will now refer to it under that name.

14 You can read about the detailed review
15 of the 7 projects in chapter 4 of the strategic
16 plan. The outcome of that process is that the
17 committee believes that four of them at this point
18 qualify based on the criteria on slide No. 4 as
19 being important components of the strategic plan.

20 These include the Southern California
21 Edison Palo Verde-Devers No. 2 project, which is
22 currently before the PUC in a certificate of
23 public convenience and necessity proceeding and
24 the San Diego Gas and Electric Sunrise Powerlink
25 Project. Those are the first two.

1 The remaining two are Phase 1 of the
2 Tehachapi Transmission Plan, which SCE has filed
3 with the PUC, again, for a CPCN, and the Imperial
4 Irrigation District's Imperial Valley Transmission
5 Upgrade Project. The benefits of these projects
6 are noted on the slides, and I won't repeat those
7 here.

8 This slide and the next one convey some
9 of the specific actions needed to facilitate the
10 development of those four recommended projects.
11 Specific recommendations that are directed at the
12 PUC include the following.

13 The PUC should take action to ensure
14 that the permitting processes for the Palo Verde-
15 Devers 2 and Tehachapi Phase 1 projects are
16 effective and completed within the 12 months
17 required by law.

18 The PUC should take action to ensure
19 that long-term strategic benefits are fully
20 addressed in their permitting assessment of
21 project benefits for transmission projects deemed
22 vital to the state in the strategic plan.

23 The third is that the PUC should assign
24 great weight in its permitting process to the
25 project need assessments submitted by the CA ISO.

1 A specific recommendation that is
2 directed at the CA ISO is that it should take
3 action to ensure that results from its new
4 transmission planning process are available by
5 January 2006 and should include an examination of
6 strategic benefits of the San Diego Sunrise
7 Powerlink Project.

8 A recommendation for the legislature is
9 that it should establish a designation process for
10 transmission corridors and grant the Energy
11 Commission the authority to designate corridors
12 for electric transmission facilities.

13 Once this process is established, the
14 Energy Commission should establish corridor study
15 groups for the Palo Verde-Devers 2 and Sunrise
16 Powerlink Projects and consider forming corridor
17 study groups for future phases of the Tehachapi
18 transmission interconnection and the Imperial
19 Valley Upgrade Project as necessary.

20 Now moving beyond the specific project
21 and the specific actions needed to facilitate
22 those projects, we now focus on the more general
23 recommendations that help with all future proposed
24 projects as contained in chapter 2 of the
25 strategic plan.

1 These actions are consistent with
2 Governor Schwarzenegger's August 23, 2005 response
3 to the Energy Commission's 2003 Energy Report and
4 the 2004 Energy Report Update.

5 These are that the state should
6 establish a comprehensive statewide transmission
7 planning process. The state should transfer bulk
8 transmission permitting to the Energy Commission.

9 The CPUC should extend the length of
10 time for rate basing investor-owned utility
11 corridor investments.

12 The Energy Commission, PUC, and CA ISO
13 should investigate changes to the CA ISO tariff to
14 accommodate transmission for renewable generation
15 interconnection. The Energy Commission should
16 investigate regulatory changes to support cluster
17 development of renewable projects.

18 Also on the subject of renewables, the
19 state should support formation of stakeholder
20 based groups to address operational integration
21 issues and transmission expansion plans. The
22 state should address key intermittent renewable
23 issues. These are also discussed in the report.
24 These include minimum load issues and improvement
25 in forecasts of resource availability, especially

1 for wind.

2 There are several emerging transmission
3 technologies that offer benefits that may assist
4 in the planning development and operation of a
5 reliable efficient and diverse transmission
6 system.

7 The Energy Commission's Public Interest
8 Energy Research Program is co-funding several
9 efforts including such technologies as high
10 temperature, low sag conductors, real time rating
11 of transmission systems, real time system
12 operation tools among others.

13 It is vital that the state continue to
14 support the research and development of new
15 transmission technologies via its PIER Program.

16 This slide just reiterates the slide
17 that Kevin had in his presentation. Again,
18 written comments due October 14 on this strategic
19 plan, as well as the transmission chapter or all,
20 that is the final date for all IEPR comments, yes,
21 not only transmission, but the entire document.

22 Early November, publishing the draft
23 finals, adoption on November 16, and then early
24 December delivering all of the reports to the
25 governor and legislature.

1 With that, that concludes the formal
2 presentation, and we would like to now take public
3 comments, and I am going to put back up the slide
4 with the phone number, the call-in information and
5 turn it back over to the committee.

6 PRESIDING MEMBER GEESMAN: Judy, let me
7 clarify one thing or ask you about one thing. The
8 draft report discusses the Trans-Bay Cable Project
9 and differed a recommendation on that project
10 until the ISO had completed its review. We put
11 the draft on September 8. It is my understanding
12 on September 9, the ISO did in fact did complete
13 its review. The ISO Board unanimously approved
14 the project. I would presume that would then
15 elevate this project into that group of four
16 priority projects that we are recommending go
17 forward?

18 MS. GRAU: Yes, exactly. Like you
19 mentioned, the timing was just such that we could
20 not get that project in there, but obviously, yes,
21 with the opportunity to move that up to become one
22 of the five and certainly, we would like to take
23 comments on that from the public today or in
24 writing.

25 PRESIDING MEMBER GEESMAN: Great.

1 MS. GRAU: Thank you.

2 PRESIDING MEMBER GEESMAN: Do we have
3 any comments? I haven't collected blue cards.
4 Jim, come on up.

5 MR. AVERY: Good morning, my name is Jim
6 Avery, I am the Senior Vice President of Electric
7 Operations for San Diego Gas and Electric Company.

8 I'd like to start by thanking the
9 Commission and for recognizing the staff for
10 identifying and looking at the Sunrise Powerlink
11 and accepting the benefits and recognizing the
12 benefits that will bring to San Diego and the
13 communities that we serve.

14 San Diego is moving forward with the
15 Sunrise Powerlink, and we will strive as we move
16 forward to keep an open log or dialogue on what is
17 happening with the project, what are the
18 opportunities with the project, what are the
19 benefits, and we look forward to working
20 collaboratively with the Commission and the CPUC,
21 other state agencies, and all community groups.

22 I'd like to briefly outline some of the
23 steps that we see coming up in the immediate
24 future for this project. No. 1, we will be filing
25 within the next couple of months our CPCN for the

1 need for this project.

2 We plan on filing some time at the end
3 of the second quarter environmental work and
4 hopefully being able to work collaboratively with
5 the state's consultants and doing that work on a
6 joint effort as opposed to the old process of the
7 utility does it work, submits that work in, and
8 the state redoes that work all over again.

9 We would intend on filing that effort
10 some time in the quarter.

11 PRESIDING MEMBER GEESMAN: Second
12 calendar quarter of '06?

13 MR. AVERY: Second calendar quarter of
14 '06.

15 PRESIDING MEMBER GEESMAN: Let me ask
16 you in terms of what you envision as a joint CEQUA
17 documentation process, does existing law allow you
18 to do that?

19 MR. AVERY: We believe the existing law
20 provides the opportunity. We don't believe the
21 existing law prohibits that at all. The process
22 we have today is something that is out of
23 evolution. The utility provides something, and
24 the state basically goes back and redoes that same
25 effort.

1 We see no reason why the state and the
2 utility can't collaborate. It is not as if we are
3 trying to present something that we think is
4 perhaps somewhat biased. When we go out and do
5 our work, we want to identify what all the things
6 are that the state may identify as opportunities
7 for improvements.

8 It would make no sense for us to try to
9 present something knowing that the state is going
10 to be looking at it again to try to then come up
11 with something different. If we work together
12 collaboratively we can both go out and get a
13 consultant who can do this work, identify those
14 opportunities up front, and we can embrace them.

15 If I look at the other projects we've
16 done in recent years, the vast majority of the
17 issues that have been identified through the
18 state's efforts, we've embraced completely. When
19 we haven't, to the most extent, the state has
20 decided not to pursue them anyway.

21 PRESIDING MEMBER GEESMAN: You would
22 then envision both time and presumably some cost
23 savings in that type of consolidated review?

24 MR. AVERY: Absolutely. If I look at
25 the Miguel Mission Project is one that has been

1 held up as an example for how quickly we can do
2 something. In that case, the utility went out and
3 did its work, and then the state redid the work
4 again. In that effort, it took us 15, maybe 16
5 months to go through the CPCN process.

6 We have to find a way to streamline to
7 be less than twelve months. It is unacceptable to
8 be thinking all of the benefits that come out of
9 projects like the Sunrise Powerlink and saying,
10 well, we are putting those off because we want to
11 do a second set of studies, a third set of
12 studies, just to check and double check, when we
13 are willing to do all of that work collaboratively
14 with you right now.

15 PRESIDING MEMBER GEESMAN: I presume the
16 consultant industry would have some problems with
17 that, but not clear to me why anybody else would.

18 MR. AVERY: Maybe the lawyers would
19 object to it because there is less to argue about.
20 I don't think our role is to try to keep the
21 consultants in business.

22 PRESIDING MEMBER GEESMAN: Yeah, we
23 ought to put that in our report.

24 (Laughter.)

25 MR. AVERY: Our objective here is to get

1 by the third quarter of '06, a need determination.
2 It is then our objective to get by the end of 2006
3 a CPCN so we can proceed with the project.

4 We do commend the CEC, the CPUC for
5 recognizing in the Energy Plan the importance of
6 working together. There have been too many years
7 if you look over history where we have had bitter
8 fights between different groups, and all of those
9 fights have done is delayed the benefits that can
10 come out of this. It is not just benefits, it is
11 the reliability and it's the integrity of
12 California that we are putting at risk.

13 I do commend the fact that I believe the
14 Commission has recognized that and is trying to
15 look for ways to streamline that process. We at
16 San Diego will do everything in our power to help
17 move that along.

18 We are also welcome to public input. I
19 will tell you very honestly as I look back at the
20 Valley Rainbow Project, we learned some valuable
21 lessons. We followed the old staid and true
22 process. We submitted something for review. We
23 opened ourself up, we made modifications as we got
24 input, we made modifications as we got input, but
25 what happened through the process is we heard over

1 and over again, you didn't come to us first. We
2 didn't go to the communities first.

3 We've changed that. The process that we
4 are going with with the Sunrise Powerlink is
5 looking at bringing together a whole community
6 working group. We are looking at working with the
7 state, federal agencies, local agencies, business
8 groups, consumer groups, environmental
9 communities, and even inviting the traditional
10 opponents to sit at the tables with it. It is the
11 only way that we are going to be able to move this
12 through on an expedited basis.

13 For the next few months, we will be
14 hosting open houses in the neighborhoods and
15 communities which will be affected by this, so we
16 can gain input sooner rather than later.

17 We are also setting up an interactive
18 website where communities, constituents,
19 customers, commissioners can gain access, real
20 time, exactly what is happening, where we are in
21 the process, where we will be in community forums,
22 where we are in the regulatory process, so that
23 everyone can see exactly what's happening, where
24 it is, and what we still have to do in order to
25 get this through.

1 The importance to California for
2 developing this cooperative and collaborative
3 process cannot be underscored as being the most
4 important thing. At the same time, it is vital
5 for the state and the economy as a whole to look
6 at opportunities to do this quickly.

7 If we just look around at what is
8 happening in this country today with Hurricane
9 Katrina and now Hurricane Rita, we are in a
10 situation where a large percentage of natural
11 resources that we depend upon in our every day
12 life have been curtailed.

13 The price of natural gas has gone up
14 from 2, to 3, to 4 dollars today to 13 dollars.
15 Now, if I look at what does that mean. The
16 Sunrise Powerlink right now will have the
17 capability of delivering an extra thousand MWs
18 into the San Diego region.

19 We have already signed contracts for
20 renewable resources at the end of that line in the
21 Imperial Valley, which could total up to 900 MWs,
22 and we are in negotiations to perhaps design
23 several hundreds of more MWs of power on top of
24 that.

25 If I just take one project, the solar

1 project that we signed on right now. If that were
2 in service today with the Sunrise Powerlink, we
3 could over today's natural gas prices, save for
4 San Diego in 2006 alone perhaps as much as \$500
5 million. Putting that in perspective, that is a
6 significant fund if you look at the sheer dollars,
7 yet we don't have that opportunity.

8 In the past, if I look over 20 years
9 ago, California was known for looking at different
10 technologies, looking at opportunities, reaching
11 out. The Southwest Powerlink in San Diego was
12 built to do exactly that in 1984. To find
13 opportunities so that when opportunities arose, we
14 could capitalize on them.

15 As a result of that, in the '80's, San
16 Diego had the highest retail rates in California.
17 By the early '90's, San Diego had among the lowest
18 retail rates because we had transmission that
19 provided us opportunities.

20 Now those opportunities have essentially
21 we have grown out of them. Twenty years ago, San
22 Diego's peak load was somewhere in the
23 neighborhood of 2,000 to 2,200 MWs. Today we are
24 looking at figures that are over 4,000, and from
25 the standpoint if we actually ever had a hot

1 summer, could be 4,500 MWs.

2 The non-simultaneous import capability
3 into San Diego is 2,500 MWs which means we have to
4 rely on the older power plants in order to
5 maintain the integrity of the grid. If I look at
6 those older power plants, the South Bay facility
7 and the Encina facility, those were constructed
8 30, 40, 50, 52 years ago.

9 The heat rate coming out of South Bay 4,
10 one of the newer units there, is 14,000 BTUs per
11 KWh. You look at that at a price right now of \$13
12 per million BTU on gas, you are talking about \$200
13 per MWh. That is astronomical.

14 Now I also want to point out that it
15 really has played heavily on to what has happened
16 in the RMR cost for San Diego. The last time I
17 was up here I mentioned the fact that four years
18 ago we were at 30 million for RMR, then it grew to
19 88 million, then 125 million, then 200 million.
20 This year it is going to be over 200 million.

21 Even with the improvements we have made
22 with the Miguel Mission line, which saves us over
23 \$50 million a year and the Palomar Plant going in
24 early next year. Even with those two additions,
25 our RMR costs for next year are still forecast to

1 be over \$200 million.

2 The Sunrise Powerlink will mitigate a
3 very large percentage of that. That is just in
4 reliability cost mitigation. From the standpoint
5 in savings in energy that we could access will
6 more than pay for the project such as that.

7 Then I also look at it from the
8 standpoint of the accessibility to renewables. I
9 mentioned the last time I was here that San Diego
10 has signed virtually every contract that has been
11 offered to us in San Diego for renewable
12 resources.

13 We've had to go beyond San Diego region.
14 We have signed contracts now, which have taken us,
15 as I mentioned last time, less than one percent
16 just three years ago on renewables to somewhere in
17 the neighborhood of just less than six percent
18 today.

19 With what we have under contract, we
20 could be close to 16 percent renewables before or
21 by 2010, and what we are still trying to negotiate
22 could easily exceed that 20 percent target by
23 2010. The one thing that is going to hamper us is
24 the inability to get it to us without
25 transmission.

1 I can sit here for hours and talk about
2 the virtues of transmission, but I think I am
3 really preaching to the choir. The one thing I
4 need to look for, and I need to work with you on,
5 and I need for you to continue your leadership in
6 is to find ways to advance these opportunities
7 quickly. The sheer magnitude of dollars that are
8 sitting out there, the impact on our economy, it
9 is just overwhelming.

10 If we can find ways to permit this
11 transmission line in a twelve month window and
12 construct these facilities expeditiously as
13 possible, that is years in advance of when these
14 benefits can be realized. We need to do
15 everything in our power to find ways to do that.

16 Thank you.

17 PRESIDING MEMBER GEESMAN: Thank you for
18 your comments, Jim. I think that one of the
19 things that we can do going forward is to try and
20 keep a pretty sharp beacon focused on this project
21 and its progress or lack thereof through the
22 various regulatory processes that the state
23 administers. I think that one opportunity for
24 doing that is the joint meetings every quarter
25 that the Public Utilities Commission and the

1 Energy Commission have. I suspect that in terms
2 of our staff, might benefit all of us if in
3 between those meetings, you guys made a formal
4 status report to the Energy Commission on the
5 progress of the five priority projects that we are
6 going to identify in this plan.

7 Too often, the institutional inertia
8 that seems to surround these agencies allows these
9 projects to fall off the track, and Commissioners
10 don't know when they have fallen off the track,
11 and all of the sudden, the twelve month process
12 becomes an 18 month process or a 24 or a 36-month
13 process.

14 I think with respect to your project and
15 the others that we have identified as priorities,
16 it is incumbent upon us to prevent that from
17 happening.

18 MR. AVERY: We will do everything in our
19 power to provide any input you require at any
20 time. Any updates I am more than happy to come
21 personally to do that.

22 PRESIDING MEMBER GEESMAN: Expect a lot
23 of requests.

24 MR. AVERY: Thank you.

25 COMMISSIONER BOYD: Jim, I want to

1 second the notion that you just laid out of a very
2 public progress I guess planned not only for your
3 projects but for all the projects that this staff
4 has recommended and that you have indicated we
5 follow very closely.

6 I think that is an excellent idea, and
7 the more sunshine that we put on the issue, the
8 more we will correct the issue.

9 I want to, I guess, seek your permission
10 to sign you up as a permanent member of this
11 small, but growing chorus of people having heard
12 you today and again in the earlier testimony you
13 referenced about RMR, the chorus of people and
14 perhaps that chorus is led by Commissioner
15 Geesman. I'm not sure yet, who are quite
16 concerned about the lack of investment and
17 infrastructure, and it is probably not just
18 limited to transmission, but that is what we are
19 about today. As I like to indicate, the choices
20 that have been made in the name of our society by
21 groups in the past to not make investment in
22 insurance policies that would perhaps tide us over
23 or carry us through some of the crisis that we are
24 beginning to identify, but it sounds like you are
25 an active member of the as I say, the small chorus

1 that sees that as a real issue that we need to
2 address, and I couldn't agree with you more.
3 Thanks for your testimony.

4 MR. AVERY: I've been known to sing off
5 key, but I will be happy to sing with you.

6 COMMISSIONER BOYD: I'm not sure how
7 good we are either.

8 MR. AVERY: Thank you.

9 PRESIDING MEMBER GEESMAN: Thank you.
10 Other comments?

11 MS. ALLMAN: Commissioners, thank you, I
12 am Ellen Allman with Caithness, and I just have a
13 couple of brief comments.

14 I applaud the plan. There are great
15 recommendations there. It seems the focus is for
16 major transmission projects, corridors, permitting
17 and such. I just want to also maybe not forget
18 about the existing producers and developers when
19 it comes to the issue of how things are paid for
20 with regard to aging, infrastructure, and
21 congestion.

22 There are developers out there or
23 producers, I should say, existing plants that are
24 interested in repowers, incremental expansion, and
25 in increments of 10 MWs in a 1,000 MW system

1 sometimes because they look at their system and
2 say, oh, geez, our transmitters are old and such,
3 let's upgrade the whole system, and we will put it
4 on the back of the producer.

5 I am not saying that is right or wrong,
6 it makes it very difficult to maybe do incremental
7 expansions or repowers when they will have to pay
8 for a system upgrade that maybe should be done
9 anyway.

10 The issue of congestion, again, new
11 transmission will help this, but making the
12 producers somehow compensate for congestion when
13 we didn't sign up for that when we started the S04
14 contracts, we were supposed to pay up to the bus
15 bar and get paid at the bus bar.

16 Now there's different things going on,
17 and I understand everybody is trying to figure
18 stuff out, but whether it is GMM's or
19 (indiscernible) or such, again, it seems that the
20 existing producers are bearing a burden that may
21 be unfair to them because of a lack of investment
22 in transmission and other items.

23 Again, I applaud the plan, just don't
24 forget there's big stuff going on out there.
25 There is a great project that I just heard about,

1 but also the smaller folks that are already
2 producing need some help too about the concept and
3 procedures of how new upgrades and such get paid
4 for. Thank you.

5 PRESIDING MEMBER GEESMAN: Thank you.

6 Other comments?

7 MR. KINOSIAN: I'm Robert Kinosian with
8 the Office of Ratepayer Advocates. I am sorry I
9 got here a little late, so I am assuming this is
10 just a time for general comments on the plan?

11 PRESIDING MEMBER GEESMAN: Yes, it is.

12 MR. KINOSIAN: Okay, great. A few
13 things I just wanted to mention regarding the
14 Tehachapi phase, I think it is Phase 1 application
15 that is at the PUC. Testimony has been submitted
16 on that case. I believe that ORA was the only
17 party that submitted testimony.

18 We recommend constructing the line. We
19 did raise a couple of issues regarding the rate
20 making treatment Edison had proposed, and we are
21 working with Edison about settling those issues to
22 avoid any need for hearings, just to be able to
23 expedite the whole process.

24 Now a couple of comments directly on the
25 plan. Regarding the proposal to shift siting of

1 transmission lines to the Energy Commission, ORA
2 does not have a position supporting or opposing
3 that, except to point out that if the siting
4 authority is moved, we would like to have the same
5 opportunity we currently have to participate and
6 comment on applications for transmission lines,
7 which would mean including things such as having,
8 like we currently do, reimbursable by the utility
9 or by the applicant costs for our consultants and
10 funding for staff to participate in proceedings
11 here. That is just one comment I'd like to make
12 on that.

13 The other is the proposal to use a
14 societal discount rate to evaluate transmission
15 lines. We do have a concern with that proposal.
16 There are a number of other resources, renewable
17 resources, co-generation which are also favored
18 resources. If we are going to use a societal
19 discount rate to evaluate transmission lines, it
20 raises the issue of using a societal discount rate
21 to evaluate those in trying to treat everything on
22 a fair basis.

23 At the Public Utilities Commission, it
24 has really been the standard to use the utilities
25 discount rate, the utilities weighted cost of

1 capital as a discount rate because that pretty
2 closes correlates to what rate payers actually pay
3 for cost of capital on their resources. At least
4 from a financing and economic standpoint, it makes
5 a pretty reasonable value to use in discounting
6 future costs to reflect the time value of money.

7 PRESIDING MEMBER GEESMAN: Bob, let me
8 ask you on that one because I do think there is a
9 cultural difference between the two commissions on
10 that. In our Building and Appliance Standards for
11 thirty years, we have elected to utilize a social
12 discount rate in evaluating the cost effectiveness
13 of those efficiency improvements rather than a
14 builders cost of capital. Do you have a problem
15 with that?

16 MR. KINOSIAN: That might be a somewhat
17 different situation. From what you just described
18 to me, it sounds like you were saying you are
19 using the discount rate for the value to the owner
20 which might be different than the cost of the
21 builder actually providing something.

22 PRESIDING MEMBER GEESMAN: We think
23 there has been a systematic under investment in
24 efficiency measures by relying upon the builder to
25 make the financial calculation based on his cost

1 of capital.

2 MR. KINOSIAN: I'm not sure I can
3 address that specific point except to say that for
4 example, if the Public Utilities Commissioners
5 when we are evaluating those same sort of energy
6 efficiency programs, we again use the utilities
7 weighted cost of capital.

8 PRESIDING MEMBER GEESMAN: We have
9 registered our concerns about that, which is why I
10 say it is probably a cultural difference between
11 the two agencies.

12 MR. KINOSIAN: I would also point out
13 that the way things are done at the PUC -- once
14 again, I'm speaking for ORA, so don't make me
15 defend exactly how the PUC does things.

16 PRESIDING MEMBER GEESMAN: But they
17 adopt your position a lot of the time.

18 MR. KINOSIAN: I wish that were correct.
19 The PUC tries to on the economic analysis treat
20 everything comparably. Then when you see those
21 results, then you can factor in what are the
22 preferred resources, what is higher in the loading
23 order, that sort of thing, so that the very clear
24 view you can get of the actual cost differences
25 when you are evaluating costs is different and

1 comparing costs of different options.

2 Things that are preferred from a policy
3 standpoint, you know, that's when we apply the
4 policy overlay on top of it.

5 PRESIDING MEMBER GEESMAN: If I had felt
6 that there had been a systematic under investment
7 in efficiency and utility efficiency programs,
8 such as I believe your commission yesterday
9 determined that there had been, wouldn't one of
10 the ways of addressing that be to reflect that
11 concern in the discount rate used in evaluating
12 how much future investment there should be?

13 MR. KINOSIAN: That is definitely one
14 way that you would get results in your cost
15 effectiveness analyses to favor those preferred
16 resources that you believe there is under
17 investment in.

18 I think the concern the PUC has
19 expressed in the past with that is that it sort of
20 masks exactly where the preference is being put
21 into the process. Is 10 percent of the cost
22 savings here due to the discount rate, is 30
23 percent? One of the things that obviously the PUC
24 is very concerned about is what rates are going to
25 be charged to customers, so we want to get a

1 fairly clear view of what the actual cost to
2 customers will be.

3 Then once again, you know, for preferred
4 resources, after you have looked at what the costs
5 are and done some comparisons on exactly what the
6 costs will be and the impact on rates, then you
7 can look at what your preferred resources and make
8 your choices based on that with a very clear
9 understanding of what the actual costs are going
10 to be for each of the options.

11 PRESIDING MEMBER GEESMAN: I think one
12 of the other areas where there is probably a
13 cultural difference between the two agencies, and
14 I would extend this to also with ORA and with my
15 friends at TURN, you all seem to be blithely
16 indifferent, if I can coin a phrase, towards the
17 impact of fuel costs pass throughs. That all
18 falls into the category of stuff happens, and I
19 don't think you recognize how our systematic under
20 investment in infrastructure, which in fact the
21 regulatory agencies have to approve, causes an
22 increased reliance on that increasing volatile
23 fuel cost pass through.

24 MR. KINOSIAN: On that standpoint, I
25 will stop even trying to guess at what the

1 Commission does and just speak for ORA.

2 PRESIDING MEMBER GEESMAN: Good.

3 MR. KINOSIAN: ORA has in the past had a
4 very strong history of supporting greater funding
5 for energy efficiency programs and renewables, and
6 this is definitely one aspect where I wish the PUC
7 had adopted more of ORA's recommendations.

8 I think ORA is definitely aware of the
9 concerns about fuel price volatility and
10 availability and the impacts on consumers from
11 that, and we definitely welcome increased efforts
12 to reduce the reliance on fossil fuels.

13 PRESIDING MEMBER GEESMAN: I certainly
14 appreciate that, and I share your view there. I
15 want to ask you about Tehachapi before you go on
16 because I am a little concerned that the draft
17 plan which was released September 8 speaks in
18 terms of approving that project as required by law
19 within its twelve month period of time. Certainly
20 you indicated your expectation that will be
21 expedited.

22 The publication date of the final CEQUA
23 documents, though, as I understand it, have
24 slipped now to March of next year?

25 MR. KINOSIAN: I'm sorry, that I am not

1 on top of. I can check on that and get back to
2 you, but I don't really don't know the status of
3 that.

4 PRESIDING MEMBER GEESMAN: I appreciate
5 that.

6 MR. KINOSIAN: I just wanted to make one
7 final point on the discount rate issue, and then
8 I'll be finished, is that one of the concerns we
9 have is that a societal discount rate is used for
10 transmission, then it really almost requires that
11 we apply that to other resources for consistency,
12 for other consistency standpoint, for example, for
13 renewables or energy efficiency. I would just
14 like to make sure that does happen rather than
15 resulting in one set of calculations for one type
16 of resource and another set for another.

17 PRESIDING MEMBER GEESMAN: Fair enough.

18 MR. KINOSIAN: Thank you.

19 PRESIDING MEMBER GEESMAN: Thank you.

20 Other comments?

21 MS. BERGEN: Commissioners, I'm Jane
22 Bergen. In collaboration with my colleague, Jane
23 Turnbull, I'm here to speak to for the League of
24 Women Voters of California. As you know, our
25 interest focuses largely on the process of the

1 implementation of these proposals.

2 The Draft Report on Strategic
3 Transmission Investment Plan notes that in SB1565,
4 the legislature called for a blueprint that will
5 lead to an efficient and reliable bulk
6 transmission system for California.

7 The report clearly identifies the need
8 for a strategy and outlines the criteria for
9 decision making, greater reliability, reductions
10 in costs, and fostering the state's renewable
11 portfolio standard.

12 The draft reports fails to clearly
13 outline how the goals are to be achieved, and the
14 blueprint is not evident.

15 The need for an effective collaborative
16 process for planning our energy infrastructure is
17 clear. While the legislation grants the Energy
18 Commission the lead responsibility, there remains
19 some confusion regarding the specific roles and
20 the ordering of the responsibilities of the
21 different agencies and of the utilities.

22 PRESIDING MEMBER GEESMAN: I think that
23 is an understatement.

24 MS. BERGEN: We are trying to be careful
25 and gentle here. Granted, the governor's proposal

1 for a State Department of Energy has muddied the
2 waters somewhat, although maybe that is off the
3 table for the moment at any rate.

4 However, the specific steps that need to
5 be taken can still be clarified and ordered.

6 Also, the particular competencies required to
7 carry out each step should be defined, and this is
8 something that came to the forefront in the
9 League's recently completed study of the state
10 utility system, the importance of the different
11 competencies involved among the different
12 agencies.

13 The League agrees that it is just common
14 sense to link transmission siting and permitting
15 with generating siting and permitting. However,
16 the technical understanding of the specifics of
17 systems operations and problems associated with
18 congestion, is a role for the CA ISO. The rate
19 setting responsibilities belong preferably with
20 the CPUC.

21 If the utilities are going to be the
22 investors, they need to be involved from the
23 beginning. We would like to see a flow chart that
24 lays out the process.

25 The assumption that the transmission of

1 electricity is a public good is certainly valid,
2 therefore, pro-active planning for infrastructure
3 development should be a requisite. California's
4 failure to recognize the importance of and the
5 need for land use planning is now having dire
6 consequences for many who live here.

7 When development of tens of thousands of
8 homes are being planned without adequate
9 consideration of the needs for water, power, or
10 other infrastructure elements, problems are
11 inevitably. This makes a mockery of the concept
12 of sustainable communities.

13 The 2005 Federal Energy Bill calls for
14 the use of imminent domain in siting new
15 transmission lines if needed. As Californians, we
16 should be able to do some good long range land use
17 planning that would not call for this extreme
18 expedient.

19 The League has supported the statewide
20 corridor planning process since it was proposed.
21 We also urge the adoption of strategic land use
22 planning, which would include transmission
23 corridor designation, with the active involvement
24 of relevant local and regional parties, including
25 the public.

1 A further concern that is raised in the
2 draft report but touched upon rather cautiously is
3 the need for valid load forecasts, both supply and
4 demand projections. The League agrees that
5 realistic planning must be based on realistic
6 forecasts.

7 The Energy Commission is working to put
8 together disaggregated statewide assessments of
9 both supply and demand for the decade. Ahead, we
10 believe that such assessments are essential if
11 transmission planning is to be carried out
12 effectively.

13 We understand that at least one utility
14 has been reluctant to support the development of
15 these forecasts, and we think that is unfortunate.

16 The League is pleased that this report
17 acknowledges the need for an assessment of
18 reliability concerns at a regional level. CA ISO
19 operations are managed in the context of control
20 areas or zones. The impacts of congestion are
21 assessed at a regional or a zonal level.

22 While the economic implications of
23 congestion are nearly one billion dollars annual,
24 the potential economic implication of power
25 outages are far greater.

1 In rural areas of our state,
2 particularly the norther areas served by out-of-
3 state utilities, a fifteen minute outage is a
4 common occurrence, and the impact on life is
5 minimal.

6 In our urban, high tech areas, any power
7 outage has significant economic and societal
8 impacts. We urge the Energy Commission and the
9 other state agencies to bring together parties in
10 the major demand centers of the state to consider
11 the implications of the increasing energy demand
12 and address growing reliability concerns in a pro-
13 active and creative way.

14 Thank you.

15 PRESIDING MEMBER GEESMAN: Thank you,
16 Ms. Bergen, and thank you to the League for your
17 repeated appearances in our process this year. I
18 really want to encourage you, though, to drop that
19 gentle and kinder stuff.

20 (Laughter.)

21 PRESIDING MEMBER GEESMAN: These issues
22 are squarely before the legislature now, and I
23 think it is important for the League and other
24 public spirited organizations to provide the
25 legislature with the benefit of your perspective

1 and not allow the legislature to adjourn next year
2 before it has conclusively dealt with this.

3 This Commission and other state agencies
4 have populated the book shelves of Sacramento with
5 pounds and pounds and pounds of official reports
6 over the last several years, and yet we still seem
7 to fester in our jurisdictional ambiguities, so I
8 am hopeful that the League will be a vital voice
9 in that discussion next year, and that you will
10 hold all of our feet to the fire and demand that
11 these issues be resolved.

12 MS. BERGEN: With your permission, I'm
13 going to quote you to our board.

14 PRESIDING MEMBER GEESMAN: Please do.

15 MS. BERGEN: Anyway, thank you.

16 PRESIDING MEMBER GEESMAN: Thank you.

17 COMMISSIONER BOYD: I want to add my,
18 again, second to what Commissioner Geesman has
19 said, and I want to particularly thank you folks
20 for your consistent call for addressing land use
21 planning. Hopefully as you look at the Draft 2005
22 Integrated Energy Policy Report or Energy Report
23 for short, you will see that we try to embrace
24 that call even more loudly, but it is real lonely
25 up here.

1 As Commissioner Geesman has indicated,
2 we need more voices calling out for a complete
3 systems look at thing, not just bits and pieces,
4 and maybe the terrible misfortunes that are
5 besetting the Gulf Coast of late have awakened
6 some people to a lack of preparation, a lack of
7 investing in what I like to call the insurance of
8 for the future, and the lack of looking at the
9 whole system has maybe in the long run costing us
10 more than the short term investment would.

11 It is tough, as you know, even though
12 the Capitol is a couple of blocks away, it seems
13 continents away or centuries away sometimes.
14 Anyway, we appreciate what you had to say, and we
15 look forward to hearing it more.

16 PRESIDING MEMBER GEESMAN: Other
17 comments? Les.

18 MR. GULIASI: Thank you. Les Guliasi
19 with Pacific Gas and Electric Company. Good
20 morning. I just wanted to just give you a very
21 brief sketch, and I emphasize the word "sketch" of
22 some of the issues that we saw as being important.
23 We are going to elaborate on what I am about to
24 say in the comments we submit, but I thought I'd
25 just give you an indication of some of our

1 thoughts.

2 The first thing is this no doubt is a
3 useful report, and I think it fits in well in the
4 overall context of the IEPR. I was a little bit
5 struck on first blush by how confining I found the
6 report to be.

7 Typically, the Energy Commission's
8 reports are more expansive, kind of they think in
9 a bigger picture way than what I found in this
10 report. I think perhaps there is good reason for
11 it. Here you focus mostly on projects
12 specifically, and I think the time horizon was a
13 little bit shorter than many of the reports that
14 you do.

15 I think that serves as a useful piece of
16 the overall IEPR, but I was struck by its sort of
17 lack of big picture focus, and I will return to
18 that in a second.

19 Just on the issue of coordination among
20 the agencies, there is no doubt that the process
21 we have now is cumbersome, it is complex, and it
22 doesn't work very well. I am not going to talk
23 much today about the jurisdictional issue, I know
24 that issue has to play itself out over the course
25 of the next year.

1 As we know, each agency, you, the Public
2 Utilities Commission through and investigation,
3 the CA ISO, each agency is looking at its
4 processes and has vowed to simplify things or
5 clarify the process and improve the process. I'm
6 hopeful that through these individual efforts,
7 each of the processes will be improved.

8 My fear is that while you each go about
9 your good work with good intentions, unless you
10 really coordinate among yourselves, you are not
11 going to solve the coordination problem. Again,
12 we want to make sure that what you each put in
13 place is simpler, less complex, less cumbersome.
14 Certainly we don't want any more new steps
15 involved or more duplication of steps.

16 So, please, I guess my plea is that you
17 work closely with your sister agencies and in a
18 cooperative manner try to sketch out an overall
19 process recognizing each other's responsibilities
20 and streamline and create a clear more
21 comprehensive process.

22 PRESIDING MEMBER GEESMAN: I don't know
23 that we have been better coordinated than we have
24 been over the course of the last three years, and
25 I'm not certain that anyone would say that there's

1 been any material improvement over the course of
2 those three years. So, run faster, tackle
3 harder --

4 MR. GULIASI: Try harder.

5 PRESIDING MEMBER GEESMAN: Come up with
6 something better, please, because --

7 MR. GULIASI: Certainly we will
8 participate in each of the forums, but, you know,
9 a lot of it rests with you, the decision makers
10 and the policy makers, and the ones who are in
11 charge of the three agencies. So, we will do our
12 part, and I think everybody is committed to making
13 a better process.

14 A lot of it rests in your hands, and I
15 hope you can exert the force that you have to make
16 a better process, and we will do our part as well.

17 COMMISSIONER BOYD: Sometimes we feel
18 like we are using a blow torch on a glacier,
19 though, Les. I think we need a few more blow
20 torches.

21 MR. GULIASI: The global warming, we are
22 getting some help.

23 (Laughter.)

24 COMMISSIONER BOYD: We are trying that
25 one too.

1 MR. GULIASI: Back to the comment I made
2 about the Energy Commission's typical kind of
3 global perspective on things. There is a very
4 short section in the report about greater
5 coordination and participation in WECC. I think
6 that is vitally important. You, the Energy
7 Commission, can play a very important because of
8 the big picture you have on a statewide
9 perspective you have and the long range
10 perspective you have on these issues.

11 My encouragement to you is to increase
12 your participation in WECC and use that forum to
13 do more than look within the boundaries of
14 California, but to think about planning on a
15 region-wide basis. I think that is something you
16 will see PG&E doing more of, that is greater
17 participation on a regional level and taking a
18 stronger leadership role.

19 I have kind of question. I don't know
20 if it is best directed at you or the staff, but I
21 was somewhat perplexed by the recommendation for
22 disaggregated load forecasting and forecasting at
23 a bus bar level.

24 Again, this is in the form of a
25 question. I don't fully understand where this is

1 leading or what the purpose is. I know in talking
2 to our transmission planners do analysis at the
3 bus bar level, and I understand that the
4 information that they compile that then goes to
5 the ISO stakeholder process embodies the
6 information or the analysis that is done at a very
7 disaggregated detailed level.

8 My fear is that all of the sudden the
9 Energy Commission will now want vast amount of new
10 information data that would then be here, and I
11 don't know if you would know what to do with it or
12 if you have the expertise to handle all that data.

13 My fear is that this is sort of is
14 implying that the Energy Commission is somehow now
15 becoming a transmission planner, a statewide
16 transmission planner. Maybe my fear is unfounded,
17 but I think it stems from just a confusion or lack
18 of clarification about the intentions.

19 PRESIDING MEMBER GEESMAN: Let me try
20 and clarify. The ISO made that request of us in
21 the initial session that we had at the beginning
22 of the current IEPR cycle. They asked that we
23 disaggregate our forecast ultimately to the bus
24 bar level to better assist them in their process.

25 Commissioner Boyd and I both directed

1 the staff to attempt to do so, and I would say
2 probably the most frustrating analytic shortcoming
3 in this cycle has been the fact that we simply
4 haven't had enough time or resource to do that.
5 We firmly hope to do that in the next cycle, but
6 the notion is to assist the ISO, as we have tried
7 to identify at the very beginning of this IEPR
8 cycle.

9 Our two primary client agencies for the
10 end products of our analyses are the CPUC and the
11 CA ISO, so in order to make our forecasting more
12 relevant to people that actually utilize it, we
13 think the disaggregation is important.

14 Does that likely involve getting more
15 data from the utilities? Probably. The ISO
16 appears to think that would be of value, and that
17 reliance on your disaggregated forecasting alone
18 does not provide enough perspective on those
19 forecasts at a disaggregated level.

20 MR. GULIASI: Is this something that
21 might be taken up in the forms and instructions
22 for the next cycle?

23 PRESIDING MEMBER GEESMAN: I would
24 presume that it would. I would presume that it
25 would, but I can't tell you how much progress our

1 staff has made in thinking through what data would
2 actually be necessary. We do intend to go through
3 a rulemaking process for the next cycle in
4 determining data requirements, and I think this
5 will be a prominent aspect of it.

6 MR. GULIASI: I am sorry for
7 interrupting --

8 PRESIDING MEMBER GEESMAN: I think it
9 will be a prominent aspect of our forms and
10 instructions.

11 MR. GULIASI: Then will that rulemaking
12 take place next year in anticipation of the
13 following year?

14 PRESIDING MEMBER GEESMAN: If it
15 doesn't, we are going to miss the '07 cycle.

16 MR. GULIASI: Okay, all right. Well,
17 thank you, we will participate in that process and
18 see how it unfolds.

19 The final remark I want to make is
20 related to what I just said a few minutes ago
21 about the value of the Energy Commission's role in
22 statewide and regional planning.

23 There is one thing I think that the
24 Energy Commission can certainly do. I think this
25 comment follows on the tail of your recommendation

1 to have a vigorous statewide stakeholder process,
2 one that we support. That would be that the
3 Energy Commission's analytical abilities can be
4 put to good use by helping us develop scenarios.

5 You have a lot of information here about
6 location of renewable resources, for example, sort
7 of the economic issues and so forth. I think if
8 you spend some time having the staff work through
9 various scenarios, it would give the utilities and
10 others a better picture about where transmission
11 investment might be needed.

12 The scenario analysis would be something
13 that would be very valuable for your agency to
14 take responsibility for.

15 PRESIDING MEMBER GEESMAN: I think that
16 is a good point. I think that could benefit quite
17 a bit by some focused input from both the
18 utilities and the CPUC and others as to what are
19 valuable scenarios that should be studied. In
20 order to make that process meaningful, you need a
21 pretty broad group of stakeholders to suggest what
22 is likely to be relevant from a scenario
23 standpoint.

24 I don't think we did enough of that in
25 this '05 cycle, and I think that is an area that

1 should definitely be improved in the '07 cycle.

2 COMMISSIONER BOYD: I want to agree with
3 that, I think that is an excellent suggestion. As
4 one who is participating in the scenario exercise,
5 I want to tip to a different subject area, that
6 actually includes a former PG&E planner, I think
7 it is an excellent way to proceed, and I would
8 encourage us to have to rethink about going
9 through that process, probably in many areas here,
10 but certainly in this area for the next round of
11 IEPR work, so good point.

12 MR. GULIASI: I'm glad that comment
13 resonated. We will provide some thoughts about
14 that subject in our written comments, and then we
15 will look forward to participating in that process
16 when it is right.

17 COMMISSIONER BOYD: It seems to drag
18 more information out of people than Commissioner
19 Geesman and I and staff have been able to do in
20 some of the workshops that we have here. They are
21 still awfully process procedural and formal
22 looking workshops, and I think we could get a lot
23 more input if we change the techniques.

24 MR. GULIASI: I've thought about that,
25 perhaps not all of the workshops have to be

1 commissioner-driven workshops or commissioner-
2 involved workshops. Some of these more
3 technical --

4 COMMISSIONER BOYD: Are we that
5 intimidating?

6 MR. GULIASI: No, I'm just thinking of
7 some of the more technical work can be done, you
8 know, with the technical staff, you know, from all
9 of the stakeholders led by the Energy Commission,
10 and perhaps then the product of that kind of
11 technical workshop can be brought to the
12 Commission for a committee workshop.

13 PRESIDING MEMBER GEESMAN: I think that
14 is a good point.

15 MR. GULIASI: Those are the sketchy
16 remarks I have that we intend to address more
17 fully in written comments in a few weeks time.

18 PRESIDING MEMBER GEESMAN: Let me ask
19 you to add one to those. That is if you could in
20 your written comments address the company's
21 posture regarding the Trans Bay Cable Project. My
22 perception had been up until I guess late August,
23 the company was supportive of the project, and
24 certainly our 2003 report identified significant
25 reliability concerns with San Francisco, the Trans

1 Bay Project isn't the only way to address those,
2 and the Jefferson Martin Project was identified in
3 our '03 report as an important part of addressing
4 those concerns, but we have been supportive of the
5 Trans Bay Cable Project, and I had perceived PG&E
6 as supportive up until late August. I don't know
7 if that has changed now that the ISO has approved
8 the project or not, but I'd ask you in your
9 written comments to try and provide some clarity
10 on that.

11 MR. GULIASI: Just to be clear on your
12 question. You are asking what if anything has
13 changed? Are you asking about for support for the
14 Trans Bay Project if that has changed?

15 PRESIDING MEMBER GEESMAN: Your position
16 going forward. I'm willing to just close my eyes
17 to the last 30 days, but I would like some written
18 indication about how the company feels about the
19 project going forward.

20 MR. GULIASI: Okay, well, I think we can
21 provide that. I think in essence, what you will
22 find in the written remarks is the acknowledgement
23 that the independent system operator has made a
24 decision. Their Board decided, what was it two
25 weeks ago now, to support and approve the

1 proposal. Trans Bay is presumably going to be
2 built. They have a set of tasks to complete
3 obtaining permits before the construction begins
4 and so forth. We are assuming that they will be
5 able to succeed and obtain the permits that they
6 need and do the construction. I think you will
7 find an acknowledgement that is reality and they
8 should be allowed to proceed as the ISO has
9 decided.

10 We are concerned about reliability in
11 San Francisco. We are glad that Jefferson Martin
12 is not a subject of this year's report, and things
13 are progressing. We are then hopeful that project
14 will continue to go on schedule so that we can
15 retire Hunter's Point and satisfy the community.

16 PRESIDING MEMBER GEESMAN: I hope you
17 would also make some gesture of your willingness
18 to facilitate the completion of the Trans Bay
19 Project as I believe you had up until late August.

20 MR. GULIASI: We will do our part to
21 whatever needs to be interconnected, so, we will
22 see how they proceed, and let's hope that San
23 Francisco gets the reliability it needs through
24 all the projects that are out there. We will do
25 that, thank you.

1 PRESIDING MEMBER GEESMAN: Thanks, Les.

2 Other comments? Anyone on the telephone want to
3 comment? I'm not hearing any.

4 CONFERENCE COORDINATOR: This is the
5 Conference coordinator, we would like to ask a
6 question please, press star 1 on your touch tone
7 phone, star 1 to ask a question.

8 PRESIDING MEMBER GEESMAN: I'm not
9 hearing any.

10 CONFERENCE COORDINATOR: Our first
11 question comes from Mark Skowrowski. You may ask
12 your question.

13 MR. SKOWROWSKI: Hello, this is Mark
14 Skowrowski from Solargenix.

15 PRESIDING MEMBER GEESMAN: Hello, Mark.

16 MR. SKOWROWSKI: Basically, just a
17 general question with respect to the transmission
18 ranking cost report the IOU has put out and the
19 strategic (indiscernible) that PUC has just
20 submitted. How is that integrated in the sense
21 that we have clusters that removable generators
22 are connecting to via the (indiscernible). How
23 and to overall strategy transmission accomplished
24 in the sense that the utility doesn't really know
25 the company's acceptable renewables will be added

1 to the cluster? Who makes this estimate and how
2 is that impacted on the strategy transmission?

3 PRESIDING MEMBER GEESMAN: Anybody from
4 the staff want to address that. I can simply say,
5 Mark, the intent was to explore the system that
6 the State of Texas appears to have successful
7 pursued.

8 MR. SKOWROWSKI: I'm not familiar with
9 that.

10 PRESIDING MEMBER GEESMAN: You've just
11 exhausted my familiarity with it, but I think I've
12 given you a hint as to where to go to find the
13 answer to your question, and we will pursue it
14 with our staff as well.

15 MR. SKOWROWSKI: Okay, that's all I
16 have.

17 PRESIDING MEMBER GEESMAN: Thank you.
18 That's it. Anybody else in the audience care to
19 make a comment. Okay, thank you all very much. I
20 look forward to receiving any written comments
21 that you may file.

22 (Whereupon, at 10:17 a.m., the workshop
23 was adjourned.)

24 --oOo--

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CERTIFICATE OF REPORTER

I, Peter Petty, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said workshop, nor is any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of September, 2005.

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